FILE COPY

Office Supreme C
FILE
JUN 14
CHARLES ELMOR

In the

Supreme Court of the United States.

October Term, 1935.

No. 127

Radio Corporation of America,
Petitioner,

v.

Raytheon Manufacturing Company,
Respondent.

Petition for a Writ of Certiorari to the Circuit Court of Appeals for the First Circuit and Brief in Support Thereof.

JOHN W. DAVIS,
JOHN L. HALL,
CLAUDE R. BRANCH,
Attorneys for Petitioner.

DAVIS, POLK, WARDWELL, GARDINER & REED,
CHOATE, HALL & STEWART,
Of Counsel.

ADDISON C. GETCHELL & SON, LAW PRINTERS, BOSTON.

SUBJECT INDEX.

	Page
Petition for writ of certiorari	1
Opinions below	1
Jurisdiction	2
Questions presented	2
Statute involved	3
The parties and the cause of action	3
Statement	4
Specification of errors	8
Reasons for granting the writ	8
Brief in support of petition for writ of certiorari	13
Statement	13
Argument	14
1. The Circuit Court of Appeals has refused to follow the decisions of this Court in *Hartshorn* v. *Day*, 19 How. 211, and *George* v. *Tate*, 102 U.S. 564	14
2. The decision of the Circuit Court of Appeals should be reviewed because the Court's refusal to follow *Hartshorn* v. *Day* and *George* v. *Tate* reflects the existence of a sharp conflict of authority in the lower Federal Courts upon the whole question of avoiding releases, both sealed and unsealed, in actions at law, and also reflects doubts as to whether *Hartshorn* v. *Day* and *George* v. *Tate* are still controlling authorities	16
3. The decision of the Circuit Court should be reviewed because the Court's conclusion that the license contract containing the release is void for illegality is in direct conflict with the decision of the Circuit Court of Appeals for the Seventh Circuit in *Dennehy* v. *McNulta*, 86 Fed. 825, and fails to give effect to principles laid down in decisions of this Court	18

Page

4. The decision of the Circuit Court of Appeals should be reviewed because it raises serious questions as to the validity of any settlement of an anti-trust claim 21
5. Jurisdictional matters 22

TABLE OF AUTHORITIES CITED.

A. B. Small Co. v. Lamborn & Co., 267 U.S. 248 10, 19, 20
Adamos v. New York Life Ins. Co., 293 U.S. 386 18, 23
American Mills Co. v. American Surety Co., 260 U.S. 360 17, 18
Barnette v. Wells Fargo Bank, 270 U.S. 438 15
Cable v. United States Life Ins. Co., 191 U.S. 288 17
Cavender v. Virginia Bridge & Iron Co., 257 Fed. 877 16
Cincinnati Packet Co. v. Bay, 200 U.S. 179 21
Columbia-Knickerbocker Trust Co. v. Abbot, 247 Fed. 833 17
Columbia Pictures Corp. v. Bi-Metallic Inv. Corp., 42 Fed. (2d) 873 9, 19
Connolly v. Union Sewer Pipe Co., 184 U.S. 540 10, 19, 21
Dennehy v. McNulta, 86 Fed. 825; certiorari denied, 176 U.S. 683 9, 18, 19
Enelow v. New York Life Ins. Co., 293 U.S. 379 2, 7, 9, 18, 22
Gasoline Products Co. v. Champlin Refining Co., 46 Fed. (2d) 511 21
George v. Tate, 102 U.S. 564 7, 8, 9, 14, 15, 16, 17, 18
Hartshorn v. Day, 19 How. 211 7, 8, 9, 14, 15, 16, 17, 18
Hoad v. New York Central R.R. Co., 6 Fed. Supp. 565 17, 17n.
Kansas City Southern Ry. Co. v. Martin, 262 Fed. 241 17
Liberty Oil Co. v. Condon Bank, 260 U.S. 235 2, 6n., 22
National Aniline & Chemical Co. v. Arnhold, 298 Fed. 755 18

	Page
Manchester St. Ry. Co. v. Barrett, 265 Fed. 557	17
Pennsylvania R.R. Co. v. Hammond, 7 Fed. (2d) 1010	16
Plews v. Burrage, 19 Fed. (2d) 412	17
Plews v. Burrage, 274 Fed. 881	17
Pringle v. Storrow, 9 Fed. (2d) 464	17
Raytheon Manufacturing Co. v. Radio Corporation of America, 190 N.E. 1	6n., 21
Southern Ry. Co. v. Clark, 233 Fed. 900	17
Steele v. Drummond, 275 U.S. 199	21
Union Pacific Ry. Co. v. Syas, 246 Fed. 561	16
Wilder Mfg. Co. v. Corn Products Co., 236 U.S. 165	10, 19, 21
Willett v. Herrick, 258 Mass. 585	15
Code of Laws of the United States, Title 15, chapter 1, section 15	2
Judicial Code, section 240 (a), as amended by the Act of February 13, 1925	2
Judicial Code, section 274 (b)	2, 3, 6n., 22

In the

Supreme Court of the United States.

October Term, 1935.

No.

RADIO CORPORATION OF AMERICA,
Petitioner,

v.

RAYTHEON MANUFACTURING COMPANY,
Respondent.

PETITION FOR A WRIT OF CERTIORARI TO THE CIRCUIT COURT OF APPEALS FOR THE FIRST CIRCUIT.

To the Honourable the Justices of the Supreme Court of the United States:

The undersigned, on behalf of the above-named petitioner, pray that a writ of certiorari may issue to review the judgment of the Circuit Court of Appeals for the First Circuit entered April 8, 1935, in the case between the above-named parties docketed therein as No. 2946.

Opinions Below.

No opinions were filed by the District Court with respect to any of the orders relevant to this petition. The opinion of the Circuit Court of Appeals appears at pages 69 to 83 of the Record.

Jurisdiction.

The judgment of the Circuit Court of Appeals was entered April 8, 1935 (R. 84). A petition for rehearing was filed in the Circuit Court of Appeals April 23, 1935, and was denied May 3, 1935 (R. 84).

The jurisdiction of this Court is invoked under section 240 (a) of the Judicial Code, as amended by the Act of February 13, 1925.

The action to which the petition relates is an action at law brought under Title 15 of the Code of Laws of the United States, chapter 1, section 15 (R. 2, 4, 14), to recover damages for alleged violation of the anti-trust laws. The primary question raised before the Circuit Court of Appeals and raised upon this petition is the correctness of an order of the District Court (reversed by the Circuit Court of Appeals) transferring the case to the equity side of the Court for a preliminary hearing, pursuant to the practice established under the decision of this Court in *Liberty Oil Co.* v. *Condon Bank*, 260 U.S. 235. Judicial Code, section 274 (b). The Circuit Court of Appeals took appellate jurisdiction under the decision of this Court in *Enelow* v. *New York Life Ins. Co.*, 293 U.S. 379 (R. 74-75). A further discussion of this aspect of the case appears at pp. 22-24, *infra*.

Questions Presented.

Two questions are presented:

(1) Where a contract under seal containing a release is sought to be set aside and rescinded for alleged duress based upon economic pressure, is the issue of the validity of the contract triable on the law side of the Court, or should it be tried on the equity side?

(2) Where a license contract containing a release of a claim for damages for violation of the anti-trust laws is

otherwise an entirely legal contract, is such a contract shown to be *illegal* solely by reason of the allegation that the contract was executed involuntarily as a result of economic pressure exerted by the possesssor of an illegal monopoly?

Statute Involved.

Section 274 (b) of the Judicial Code provides as follows:

"In all actions at law equitable defenses may be interposed by answer, plea, or replication without the necessity of filing a bill on the equity side of the court. The defendant shall have the same rights in such case as if he had filed a bill embodying the defense of seeking the relief prayed for in such answer or plea. Equitable relief respecting the subject matter of the suit may thus be obtained by answer or plea. In case affirmative relief is prayed in such answer or plea, the plaintiff shall file a replication. Review of the judgment or decree entered in such case shall be regulated by rule of court. Whether such review be sought by writ of error or by appeal the appellate court shall have full power to render such judgment upon the records as law and justice shall require."

The Parties and the Cause of Action.

The action is brought against the petitioner, Radio Corporation of America, by Raytheon, Inc., a Massachusetts corporation, under the name of Raytheon Manufacturing Company, which name it had formerly borne (R. 3, 13, 14). The action is alleged to be brought, however, not for the benefit of the nominal plaintiff, but for the exclusive benefit and at the expense of the Raytheon Manufacturing Company (R. 13), a Delaware corporation organized by the respondent in May, 1928 (R. 11, 13, 22). The sole cause of

action in suit is alleged to be a cause of action which accrued to the Massachusetts corporation (the nominal plaintiff) and "wholly existed before May 28, 1928, and before the organization of said Delaware corporation and which said cause of action did on or about May 28, 1928, by understanding and agreement between said two corporations become the property of said Delaware corporation" (R. 13). Any other cause of action is expressly disclaimed (R. 13).

Statement.

The respondent Raytheon Company, on December 14, 1931, brought an action for damages in the sum of $15,000,000 (R. 2) against the petitioner, based on alleged violations of the anti-trust laws. The declaration is in two counts, both substantially similar. The claims under both counts are expressly limited to claims accruing to the Massachusetts Raytheon Company prior to May 28, 1928, on which date it appears that by an oral understanding (R. 36-37) the claims were assigned in beneficial interest to the Delaware Raytheon corporation (Disclaimer, R. 13; Declaration, count II, §44, R. 23).

The petitioner, in its answer (R. 29), set up among other defenses a release under seal executed by the respondent. This release was incorporated in a license contract and supplemental agreement, dated March 19, 1929 (R. 43-56), under which the petitioner licensed Raytheon Manufacturing Company (of Delaware) to manufacture and sell radio tubes under patents controlled by petitioner.

It is not questioned that the release covered the cause of action sued upon, and the fact of its execution is admitted.

The respondent, however, by anticipatory pleading in its declaration, attacked the validity of the release on the ground that the contract had been executed involuntarily. The invalidity of the contract was alleged to arise from the

fact that the petitioner had perfected a patent monopoly whereby the petitioner exercised an "illegal duress" upon the whole radio industry, that the respondent's business as a manufacturer of radio tubes had been destroyed by May, 1928, as a result of such control of the industry by the petitioner, and that as a result the Raytheon Companies were driven, in 1929, to seek and accept a license contract from the petitioner, which contract contained the release in question (R. 6-11; 17-22). The specific allegations attacking the validity of the release, appearing in identical language in paragraphs 35, 36 and 37 of both counts of the declaration (R. 11, 21-22), are as follows:

> "35. Wholly because of this destruction and of the illegal duress aforesaid which the defendant had imposed as aforesaid on this industry and this interstate and foreign commerce, the plaintiff and its Delaware corporation were compelled to seek and accept a license from the defendant.
>
> "36. With knowledge of this compulsion and relying on its effectiveness, the defendant exercised its illegally acquired power as aforesaid to compel the plaintiff and its said Delaware corporation to execute a purported release of claims against the defendant.
>
> "37. The illegal duress aforesaid by the defendant rendered said release void and the plaintiff has never executed a valid release of said claim."

In this posture of the pleadings, the petitioner made a motion for a transfer of the cause to the equity side of the Court for a preliminary hearing on the issue raised by the respondent as to the validity of the release (R. 30). The grounds of the motion in substance were that the execution of the release was admitted; that the release was under the respondent's seal by adoption; and that, being under seal, the

contract could not be set aside for duress except in equity, wherefore the issue should be tried in equity* (R. 30).

After a hearing, at which the release contract itself was introduced in evidence and inspected by the Court, but no other evidence was taken (R. 42), the motion for transfer was granted on November 8, 1932 (R. 31). The respondent excepted (R. 31, 42). No question was raised by the respondent as to the fact that the release was under the respondent's seal by adoption (see R. 77-78).

By amendment to its answer, the petitioner set up that the Raytheon Companies for more than two years since the execution of the license contract, and up to the time of the bringing of the action, had accepted and affirmed the contract which is sought herein to be repudiated, and, in particular, that the Delaware Raytheon Company, for whose sole benefit the present action is brought, had brought suit in the Massachusetts Courts to enforce the contract and to enjoin the petitioner from terminating it† (R. 32, 35).

After subsequent proceedings, including the denial of a motion by the respondent for jury issues in equity (R. 32, 37) and the denial of a further motion by the respondent to rescind the order of transfer (R. 37-39), the *respondent itself* moved for the entry of a final decree in equity (R. 39-40), and on February 19, 1934, a final decree was entered affirming the validity of the release and transferring the case back to the law side for further proceedings (R. 40-42). From this decree the respondent appealed (R. 42).

---

*The petitioner took the position that the respondent's anticipatory replication attacking the validity of the release set up an equitable defense (Judicial Code, section 274 (b)) to the release contract pleaded by the petitioner, or, in the alternative, that this anticipatory replication was properly equivalent to an equitable prayer for cancellation of the release, and that the proper practice required that the case be transferred to equity for a preliminary hearing on this issue. *Liberty Oil Co.* v. *Condon Bank*, 260 U.S. 235. The District Court so ruled.

†This case is reported in *Raytheon Manufacturing Co.* v. *Radio Corporation of America*, 190 N.E. 1. Pursuant to this decision, the Raytheon Company was granted an injunction, still in force, which enjoins the Radio Corporation from terminating the very contract now claimed to be illegal and void.

The Circuit Court of Appeals entertained the appeal under the decision of this Court in *Enelow* v. *New York Life Insurance Co.*, 293 U.S. 379 (R. 74), and vacated the orders and decrees of the District Court (R. 84). The Court held, in the first place, that the correctness or incorrectness of the proceedings in the District Court depended upon the correctness of the original order of transfer to equity. If that order was correct, no error was found in the subsequent proceedings (R. 75). The Court held, however, that the transfer was wrong because the issue raised as to the validity of the release was legal and not equitable. This conclusion appears from the opinion of the Court to have been based upon the following considerations:

(*a*) The Court expressed great doubt as to whether the decisions of this Court in *Hartshorn* v. *Day*, 19 How. 211, and *George* v. *Tate*, 102 U.S. 564, were still controlling (R. 78-80). It was held in those cases that, where a contract under seal was attacked for invalidity which rendered the contract voidable rather than void, the issue, not being available under the legal plea of *non est factum*, was triable only in equity. The refusal of the Circuit Court of Appeals to follow those decisions appears to have been based partly upon a reluctance to recognize any substantial distinction between sealed instruments and unsealed instruments (R. 79) and partly upon the conclusion that those cases had in effect been discredited by subsequent decisions of this Court (R. 79-80).

(*b*) The Court recognized the existence of an irreconcilable conflict in the decisions in the lower Federal Courts upon the whole question of setting aside releases, both sealed and unsealed, in actions at law (R. 81-82).

(*c*) The Court took the view that the license contract containing the release was not merely voidable for duress, but was *void for illegality* (R. 80-82). The opinion is not clear as to whether the Court felt that the type of duress

described in the declaration imported illegality into the contract itself, or whether the Court felt that the contract was illegal because it related to patents with respect to which the defendant was alleged to have a monopoly (compare R. 80, last paragraph; R. 81).

Specification of Errors.

The Circuit Court of Appeals erred—

(1) In refusing to follow the decisions of this Court in *Hartshorn* v. *Day*, 19 How. 211, and *George* v. *Tate*, 102 U.S. 564.

(2) In holding that a contract under seal can be avoided or rescinded for economic duress on the law side of the Court.

(3) In holding that the license contract containing the release was an *illegal* agreement and accordingly *void*.

(4) In reversing the order of the District Court for transfer of the case to equity for a preliminary hearing upon the issue of the validity of the release.

Reasons for Granting the Writ.

(1) The Circuit Court of Appeals refused to follow the decisions of this Court in *Hartshorn* v. *Day*, 19 How. 211, and *George* v. *Tate*, 102 U.S. 564, not apparently on the basis of any factual distinction between those cases and the present, but because the Court felt that the principles laid down by those decisions were no longer controlling. The Court stated (R. 79-80):

> "While it may not appear that the case of *George* v. *Tate*, has been expressly overruled it appears to have been questioned and sometimes disregarded. *Am. Mills Co.* v. *Am. Surety Co.*, 260 U.S. 360, *Manchester St. Ry.* v. *Barrett*, 265 Fed. 557, *Plews* v. *Burrage*, supra, *National Aniline & Chemical Co.* v. *Arnhold*, 298 Fed. 755."

We submit that a decision of this Court is necessary to settle the question whether the decisions of this Court in *Hartshorn* v. *Day* and *George* v. *Tate* are still controlling authorities with respect to the setting aside of sealed instruments, as distinguished from unsealed instruments. Cf. *Enelow* v. *New York Life Insurance Co.*, 293 U.S. 379.

(2) The Circuit Court of Appeals expressly recognized the existence of an irreconcilable conflict of authority in the lower Federal Courts as to the whole question of setting aside releases, both sealed and unsealed, in actions at law. As the Court said (R. 81-82):

> "It is impossible to harmonize the conflicting decisions of the district courts or even those of the circuit courts of appeal. Each seems to follow its own line of decisions."

(For discussion of the cases, see pp. 16-18, *infra*).

The question of the proper mode of setting aside releases in actions at law is one of recurring importance. We submit that an authoritative decision of this Court is necessary to settle this question.

(3) The decision of the Circuit Court of Appeals that the license contract containing the release is *void* as constituting an *illegal* agreement appears to be directly in conflict with other decisions. If the Court be taken to have held that the contract was rendered illegal because it was alleged to have been executed under the economic necessity of dealing with the possessor of an illegal monopoly, the decision is directly in conflict with the decision of the Circuit Court of Appeals for the Seventh Circuit in—

> *Dennehy* v. *McNulta*, 86 Fed. 825; certiorari denied, 176 U.S. 683.

See also *Columbia Pictures Corp.* v. *Bi-Metallic Inv. Corp.* (D.C.), 42 Fed. (2d) 873.

On the other hand, if the Court be taken to have held that, notwithstanding the complete absence of any allegation that the contract contained any illegal or improper terms or that the contract formed an inherent part of the petitioner's alleged plan or conspiracy in restraint of trade,* the contract was nevertheless illegal because it related to patents with respect to which the petitioner was alleged to have an illegal monopoly, such determination is in conflict with decisions of this Court in the following cases:

A. B. Small Co. v. *Lamborn & Co.*, 267 U.S. 248.
Wilder Mfg. Co. v. *Corn Products Co.*, 236 U.S. 165.
Connolly v. *Union Sewer Pipe Co.*, 184 U.S. 540.

Those cases hold that a contract cannot be set aside as *illegal* where the contract is merely collateral to the existence of a monopoly, but the illegality must be shown to be *inherent* in the contract. In the absence of any such showing in the present case, we submit that the decision of the Circuit Court of Appeals is erroneous, and, being in con-

*The license contract in question cannot be taken, even by inference, to have formed any part of the monopoly and conspiracy upon which the plaintiff's principal cause of action is based in view of the fact that the cause of action is expressly alleged to have become complete before May 28, 1928 (Disclaimer, R. 13; Declaration, count II, §44, R. 23), whereas the release was not executed until almost a year later, viz., March 19, 1929 (R. 43). It should also be noted that the license contract in question here, which is a license for the manufacture of radio *tubes*, is entirely distinct from the earlier license contracts alleged in the declaration to have been issued in 1927 to manufacturers of *radio sets* as a step in the creation of the defendant's alleged monopoly (Declaration, count I, §§ 19-27, R. 7-9; Declaration, count II, §§ 19-27, R. 18-19). The so-called "tying clause" designated as "clause 9" contained in certain of these *set* licenses issued in 1927, which related to the purchase by the licensee of tubes for installation in the sets manufactured by him, has no counterpart in the license issued in 1929 to the plaintiff, which was not a *set* license but a *tube* license. Furthermore, the so-called "clause 9" had been discontinued even with respect to set licenses before the execution of the present contract (see R. 54-55).

flict with the cases above cited upon an important point of Federal law, it should be reviewed by this Court.

(4) The decision of the Circuit Court of Appeals with respect to the *illegality* of the contract containing the release should also be reviewed, we submit, because of its practical effect in throwing doubt upon the validity of all settlements of anti-trust claims. If, as the Circuit Court of Appeals has held, a party who has had the full benefit of his contract, and has even brought suit to enforce it, may thereafter repudiate it for illegality upon the bare plea that the defendant was the possessor of a monopoly and that economic necessity compelled the plaintiff to execute the contract in the first instance, it is difficult to see how any agreement for settlement of an anti-trust claim can be of any practical protection to a defendant. The question raised presents practical considerations of great importance with respect to the effect of the anti-trust laws.

Wherefore it is respectfully submitted that the petition should be granted.

JOHN W. DAVIS,
JOHN L. HALL,
CLAUDE R. BRANCH,
Attorneys for Petitioner.

DAVIS, POLK, WARDWELL, GARDINER & REED,
CHOATE, HALL & STEWART,
Of Counsel.

Dated, Boston, Massachusetts,
June 14, 1935.

In the

Supreme Court of the United States.

October Term, 1935.

No.

RADIO CORPORATION OF AMERICA,

Petitioner,

v.

RAYTHEON MANUFACTURING COMPANY,

Respondent.

BRIEF IN SUPPORT OF PETITION FOR WRIT OF CERTIORARI.

Statement.

The facts, the questions presented, and the specification of errors are set out in the petition.

The decision of the Circuit Court of Appeals, as appears from its opinion, was based entirely upon the conclusion that the District Court erred in making the original order for a transfer of the case to equity for preliminary hearing on the validity of the release. In the opinion of the Circuit Court of Appeals, if the original order of transfer was correct, no error appeared in the subsequent proceedings (R. 75). The questions presented on this petition, therefore, relate exclusively to the issue raised by the motion for transfer, *i.e.*, Was the issue raised by the respondent as to the validity of the release under seal set up by the petitioner triable at law or in equity?

Argument.

1. The Circuit Court of Appeals has refused to follow the decisions of this Court in Hartshorn v. Day, 19 How. 211, and George v. Tate, 102 U.S. 564.

In holding that the order of transfer to equity was wrong, the Circuit Court of Appeals refused to follow two decisions of this Court:

Hartshorn v. *Day*, 19 How. 211.
George v. *Tate*, 102 U.S. 564.

Those decisions held that a contract under seal cannot be avoided in an action at law except for a defect going to the *execution* of the instrument. It was decided in those cases that fraud in the *inducement* of a contract, which renders the contract not void but merely voidable, could not be set up against a sealed instrument except in equity. As stated in *Hartshorn* v. *Day* (19 How. 211, 222-223):

> "The general rule is, that in an action upon a sealed instrument in a court of law, failure of consideration, or fraud in the consideration, for the purpose of avoiding the obligation, is not admissible as between parties and privies to the deed; and, more especially, where there has been a part execution of the contract. The difficulties are in adjusting the rights and equities of the parties in a court of law; and hence, in the States where the two systems of jurisprudence prevail, of equity and the common law, a court of law refuses to open the question of fraud in the consideration, or in the transaction out of which the consideration arises, in a suit upon the sealed instrument, but turns the party over to a court of equity, where the instrument can be set aside upon such terms as, under all the circumstances, may be equitable and just between the parties.

A court of law can hold no middle course; the question is limited to the validity or invalidity of the deed.

"Fraud in the execution of the instrument has always been admitted in a court of law, as where it has been misread, or some other fraud or imposition has been practiced upon the party in procuring his signature and seal. The fraud in this aspect goes to the question whether or not the instrument ever had any legal existence."

It will be seen that two distinctions are implicit in these decisions: (*a*) a distinction between sealed instruments and contracts not under seal, and (*b*) a distinction between a defect which renders an instrument *voidable* and thus subject to rescission or cancellation on equitable principles, and a defect which renders an instrument wholly *void*. Where an instrument under seal is attacked on a ground which renders the instrument *voidable* merely, these two decisions hold that the issue is triable only in equity.

It was apparently conceded by the Circuit Court of Appeals that these decisions, if controlling, would apply to a case involving duress as well as to a case involving fraud (see R. 77), it being well settled that duress falling short of actual physical compulsion renders a contract voidable and subject to rescission, but not void.

Barnette v. *Wells Fargo Bank,* 270 U.S. 438, 444.
Willett v. *Herrick,* 258 Mass. 585, 603.

The Court nevertheless refused to follow *Hartshorn* v. *Day* and *George* v. *Tate,* apparently for two reasons:

(*a*) The Court recognized the existence of a sharp conflict of authority in the lower Federal Courts on the whole question of avoiding releases, both sealed and unsealed, in actions at law, reflecting a serious doubt on the part of

some of those Courts as to whether *Hartshorn* v. *Day* and *George* v. *Tate* are still controlling authorities (R. 78-80).

(*b*) The Court concluded that, under the circumstances disclosed in this case, the contract containing the release was not merely charged to be voidable for duress, but was charged to be *void by reason of illegality* (R. 80-82).

The petitioner submits that both matters present issues which should be reviewed by this Court.

2. The decision of the Circuit Court of Appeals should be reviewed because the Court's refusal to follow Hartshorn v. Day and George v. Tate reflects the existence of a sharp conflict of authority in the lower Federal Courts upon the whole question of avoiding releases, both sealed and unsealed, in actions at law, and also reflects doubts as to whether Hartshorn v. Day and George v. Tate are still controlling authorities.

The question as to the propriety of avoiding releases, both sealed and unsealed, in actions at law is a matter of recurring importance upon which the decisions of the Circuit Courts of Appeals, as well as the District Courts, are in irreconcilable conflict. This conflict of authority was recognized by the Circuit Court of Appeals. The Court said (R. 81-82): "It is impossible to harmonize the conflicting decisions of the district courts or even those of the circuit courts of appeal. Each seems to follow its own line of decisions." Cases holding that the matter is of equitable cognizance include:

Union Pacific Ry. Co. v. *Syas* (C.C.A. 8), 246 Fed. 561.

Pennsylvania R.R. Co. v. *Hammond* (C.C.A. 2), 7 Fed. (2d) 1010, 1015, 1016.

Cavender v. *Virginia Bridge & Iron Co.* (D.C.), 257 Fed. 877.

Cases reaching a contrary result include:

Kansas City Southern Ry. Co. v. *Martin* (C.C.A. 5), 262 Fed. 241.

Manchester St. Ry. Co. v. *Barrett* (C.C.A. 1), 265 Fed. 557.

Plews v. *Burrage* (C.C.A. 1), 274 Fed. 881.

But see *Plews* v. *Burrage* (D.C.), 19 Fed. (2d) 412, 413.

An extensive and valuable discussion of the authorities, especially with respect to instruments under seal, is found in the opinion of the late Judge Lowell in—

Pringle v. *Storrow* (D.C. Mass.), 9 Fed. (2d) 464.

See also *Southern Ry. Co.* v. *Clark* (C.C.A. 6), 233 Fed. 900, 905-906.

Columbia-Knickerbocker Trust Co. v. *Abbot* (C.C.A. 1), 247 Fed. 833, 837.

A recent opinion discussing the conflict of authorities is—

Hoad v. *New York Central R.R. Co.* (D.C.), 6 Fed. Supp. 565.*

Particularly significant in connection with the present case is the view expressed by some Courts that the distinction between sealed instruments and unsealed contracts is no longer controlling, and that therefore *Hartshorn* v. *Day* and *George* v. *Tate* must be taken to have been in effect overruled by subsequent decisions of this Court in which no question of a seal was raised, such as *Cable* v. *United States Life Ins. Co.*, 191 U.S. 288, and *American Mills Co.*

*Counsel are informed by the West Publishing Company that the order in the *Hoad* case was "motion denied." The order "motion granted," as reported, is incorrect, as appears from the opinion itself.

v. *American Surety Co.*, 260 U.S. 360. This view is suggested by Judge Learned Hand in—

National Aniline & Chemical Co. v. *Arnhold* (D.C.), 298 Fed. 755.

This view, which was apparently shared by the Court in this case (R. 79-80), necessarily suggests the further question whether the recent decisions of this Court in *Enelow* v. *New York Life Ins. Co.*, 293 U.S. 379, and *Adamos* v. *New York Life Ins. Co.*, 293 U.S. 386, wherein this Court reaffirmed the *Cable* case and the *American Mills Co.* case, apply also to releases or contracts under seal, or whether *Hartshorn* v. *Day* and *George* v. *Tate* limit those decisions.

The petitioner submits that a decision of this Court is necessary to settle the conflict existing in the decisions of the lower Federal Courts, and to settle the important question whether the decisions of this Court in *Hartshorn* v. *Day* and *George* v. *Tate* are still to be regarded as controlling authorities.

3. The decision of the Circuit Court should be reviewed because the Court's conclusion that the license contract containing the release is void for illegality is in direct conflict with the decision of the Circuit Court of Appeals for the Seventh Circuit in Dennehy v. McNulta, 86 Fed. 825, and fails to give effect to principles laid down in decisions of this Court.

In *Dennehy* v. *McNulta*, 86 Fed. 825, the plaintiff sought to avoid a contract made by him with a party to an alleged conspiracy in restraint of trade on the ground that the contract had been made involuntarily under the economic necessity of dealing with the defendant. The Circuit Court of Appeals for the Seventh Circuit held that this charge did not render the contract illegal, saying (86 Fed. 825, 827):

". . . The mere fact that the corporation, as one of the contracting parties, may constitute an unjust monopoly, and that its general business is illegal . . . cannot serve, ipso facto, to create default or liability on its contracts generally; nor can such fact be invoked collaterally to affect in any manner its independent contract obligations or rights."

Certiorari was denied, 176 U.S. 683.

Accord: *Columbia Pictures Corp.* v. *Bi-Metallic Inv. Co.* (D.C.), 42 Fed. (2d) 873.

In the present case the respondent's attack on the release, as contained in paragraphs 35 to 37, inclusive, of each count of the declaration (set out at p. 5, *supra*), is based entirely on the allegation that the license contract containing the release was executed involuntarily as a result of economic pressure exerted by the petitioner by virtue of its allegedly illegal and monopolistic position in the industry. The petitioner submits that the issue raised is exactly the same as that raised in *Dennehy* v. *McNulta, supra,* and that the decision of the Court in this case holding the contract to be *illegal* and void is in direct conflict with the decision of the Circuit Court of Appeals for the Seventh Circuit in that case.

It has been held on several occasions by this Court that a contract cannot be held to be *illegal* merely because one of the parties to it is also a party to an illegal combination in restraint of trade. In order to show *illegality* in such a contract it must be shown that the illegality relied on is *inherent* in the particular contract in question.

A. B. Small Co. v. *Lamborn & Co.*, 267 U.S. 248.
Wilder Mfg. Co. v. *Corn Products Co.*, 236 U.S. 165.
Connolly v. *Union Sewer Pipe Co.*, 184 U.S. 540.

In *A. B. Small Co.* v. *Lamborn & Co.*, for example, Lamborn & Company sued the A. B. Small Company for breach of a contract for the sale of sugar. In defense, the purchaser set up that the seller was a member of an illegal combination in restraint of interstate trade in refined sugar and that "the seller conformed the terms of sale to standards sanctioned by the combination" (267 U.S. 248, 252). A demurrer to this defense was sustained, the Court holding that it failed to establish any illegality in the contract. The Court said (267 U.S. 248, 252):

> "As has been pointed out in prior cases, there is nothing in the Anti-Trust Act which invalidates such a collateral contract or relieves the buyer from his obligation under it. . . . It is only where the invalidity is inherent in the contract that the Act may be interposed as a defense."

In the present case the petitioner submits that the Circuit Court of Appeals has entirely failed to give effect to the principles thus laid down by this Court. Beyond the allegations relating to the manner of the execution of the contract,* there are no allegations whatever showing or purporting to show that the contract itself was an illegal agreement. There is no suggestion that any of the terms of the contract were illegal or improper, or that the license contract was not entirely collateral to the underlying patent monopoly described in earlier portions of the declaration in exactly the same way and to the same extent as the contracts for the sale of property in *A. B. Small Co.* v. *Lamborn &*

*The allegation that the contract was obtained by "illegal duress" is obviously not an allegation that the contract is illegal. It is merely an allegation that the duress was illegal, as duress generally is. Fraud likewise is illegal, but an allegation that a contract was obtained by "illegal fraud" would not amount to an allegation that the contract itself was illegal.

Co. and the *Wilder Manufacturing Co.* case and the *Connolly* case.

See *Gasoline Products Co.* v. *Champlin Refining Co.* (D.C. Me.), 46 Fed. (2d) 511.

It is also significant in this connection that the respondent has enjoyed the full benefit of the license contract which it now seeks to repudiate. As shown in the petitioner's amended answer, the respondent's affiliated Delaware corporation (for whose sole benefit the present action is brought, R. 13) has even brought suit against the petitioner in the Massachusetts Courts to enforce the license (R. 34-35). The final decision of the Supreme Judicial Court of Massachusetts enjoining the petitioner from terminating this contract is reported in *Raytheon Manufacturing Co.* v. *Radio Corporation of America,* 190 N.E. 1. It has been held by this Court that, where a party has obtained and received the full benefit of a contract, it is against the policy of the law to allow him thereafter to escape his obligations under the contract on the plea that the agreement is illegal, except upon a clear and explicit showing of such illegality.

Steele v. *Drummond,* 275 U.S. 199, 205.
Cincinnati Packet Co. v. *Bay,* 200 U.S. 179, 185.

The petitioner submits that the decision of the Circuit Court of Appeals in this case is in conflict with this principle.

4. The decision of the Circuit Court of Appeals should be reviewed because it raises serious questions as to the validity of any settlement of an anti-trust claim.

The Circuit Court of Appeals has held that, if the respondent succeeds in establishing its original cause of action and shows that the petitioner has violated the anti-trust laws, the same proof will also serve to show that the respon-

dent's subsequent release of this cause of action is illegal and void.

Under this decision it would appear that an anti-trust plaintiff has only to establish his original cause of action in order to invalidate as illegal any subsequent release of that cause of action, with the result that such a release is of no practical effect whatever. It presents no bar to the plaintiff's action and affords the defendant no more protection than if it had never been signed. Such a result, besides being, as the petitioner submits, in conflict with decisions of this Court and decisions of the lower Federal Courts, necessarily throws grave doubt upon the validity and effectiveness of all past settlements of anti-trust claims. The petitioner submits that the practical aspects of the matter are so serious as to warrant a review of the decision by this Court.

5. Jurisdictional Matters.

The order of the District Court transferring the case to equity for preliminary hearing on the validity of the release was granted under section 274 (b) of the Judicial Code relating to the raising of equitable defenses in actions at law by answer, plea or replication. Where an equitable issue is thus raised in an action at law, the proper practice under this section is to transfer the case to the equity side for hearing upon the equitable issue.

Liberty Oil Co. v. *Condon Bank*, 260 U.S. 235.

It was held by this Court in *Enelow* v. *New York Life Ins. Co.*, 293 U.S. 379, that such an order for a transfer to equity under section 274 (b) is appealable, even where interlocutory; and certiorari was granted in that case to review the decision of the Circuit Court of Appeals upon such order.

The petitioner submits that the present case is in better posture for review than the *Enelow* case because in this case

the proceedings in equity have been carried through to a final decree in equity affirming the validity of the release.

Cf. *Adamos* v. *New York Life Ins. Co.*, 293 U.S. 386.

If the release is sustained, it is obvious that the respondent's claim for damages to the extent of $15,000,000 will be ended.

The respondent has taken the position, however, and may urge here, that even if the release be sustained, the respondent will nevertheless be entitled to recover to the limited extent of $1;500,000 by virtue of a modifying agreement executed between the parties as a supplement to the original license contract (R. 11-12; 22-23). This modifying agreement appears at record pages 54 to 56. If the Court should deem this question material here, we wish to point out two defects in the respondent's position as to the effect of the modifying agreement. In the first place, it is apparent upon the face of the contract that the plaintiff here, being the Massachusetts corporation whose correct name is Raytheon, Inc. (R. 2, 3, 13, 14; see also pp. 3-4, *supra*), executed a general and unlimited release, without any modification whatever (R. 55-56). The only limitation contained in the supplemental agreement is with respect to the release executed by the *licensee, i.e.,* the Delaware corporation, to whom alone was a license granted (R. 43, 54, 55). It is thereby provided that, on certain contingencies, the "Licensee shall become entitled to assert its claim for . . . damages . . ." (R. 55). In the present case the respondent is not the licensee, and, therefore, cannot claim that any limitation was made with respect to its own general release. Furthermore, the claim here asserted is not a claim for damages suffered by the licensee, but is exclusively a claim for damages suffered by the respondent itself (R. 13). Since the claim sued on is clearly the respondent's own claim, it is therefore covered by

the respondent's own unlimited release. It seems obvious that the respondent cannot avoid the effect of its general release by the device of a mere oral understanding (R. 36-37) with the licensee that the respondent should prosecute its claim for the benefit of the licensee.

In the second place, the modifying agreement does not provide for the payment of any damages in any event, but only for recognition of them by granting a *credit to the licensee against royalty payments due from the licensee under the license* (R. 55). Since the right to such a credit belongs to the licensee, and not the respondent, it seems obvious that the respondent cannot in any event recover anything thereunder either for its own benefit or as the assumed representative of the licensee.

We submit, therefore, that the issues raised upon this petition are properly brought before this Court for review at this time.

Respectfully submitted,

JOHN W. DAVIS,
JOHN L. HALL,
CLAUDE R. BRANCH,
Attorneys for Petitioner.

DAVIS, POLK, WARDWELL, GARDINER & REED,
CHOATE, HALL & STEWART,
Of Counsel.

Dated, Boston, Massachusetts,
June 14, 1935.